

AR53

Not for Use in the Province of Quebec

PROSPECTUS

DECEMBER 30, 1968

ANDREAE EQUITY INVESTMENT FUND LIMITED

101 RICHMOND STREET WEST
TORONTO 1, ONTARIO

INVESTMENT MANAGER AND
EXCLUSIVE WHOLESALE
DISTRIBUTOR

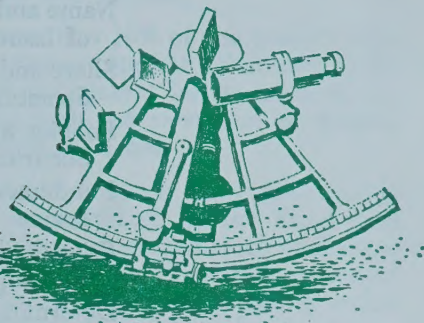
INTERNATIONAL FUND DISTRIBUTORS
LIMITED

101 Richmond Street West
Toronto 1, Ontario

AUDITORS

MCDONALD, CURRIE & Co.
120 Adelaide Street West
Toronto 1, Ontario

TRANSFER AGENT & REGISTRAR
CANADA PERMANENT TRUST COMPANY
Calgary, Montreal, Toronto, Vancouver



The Class "A" shares offered hereby are to be
issued as fully paid and non-assessable.

WITHDRAWAL PLANS, which are described in
paragraph 8(e) of this prospectus, provide that, if
such liquidations are in excess of dividend income
from the Class "A" shares and net capital appreciation,
it may result in encroachment on or possible
exhaustion of the shareholder's original capital.

No Securities Commission or similar authority in
Canada has in any way passed upon the merits of the
securities offered hereunder and any representation to
the contrary is an offence.

Shares are sold at prices which are determined
based on the market values of securities owned at the
date of sale. The sales price includes a sales charge of
8.5% of the sales price (9.29% of the net asset value per
share) in transactions involving an aggregate of less than
\$25,000. For the details of the reduced charges in
other transactions, see paragraph 6.

ANDREAE EQUITY INVESTMENT FUND LIMITED

PROSPECTUS OF ANDREAE EQUITY INVESTMENT FUND LIMITED

TABLE OF CONTENTS

	Page	Paragraph
Name and Incorporation of Issuer	1	1
Share and Loan Capital Structure	1	2
Policies with Respect to Securities Investments	1	3
Fundamental Policies of the Issuer	1	4
Price of Shares on Sale or Redemption	2	5
Determination of Offering Price	2	6
Method of Distribution	3	7
Methods of Purchase	4	8
Determination of Redemption Price	9	9
Tax Status of the Fund	9	10
Tax Status of Security Holder ..	9	11
Description of Shares Offered ..	10	12
Dividend Record	10	13
Directors and Officers	11	14
The Remuneration of Directors and Senior Officers	12	15
Custodian of Portfolio Securities	12	16
Management of the Issuer and Distribution of Securities	12	17
Relationship to Issuer	14	18
Principal Holders of Securities ..	15	19
Auditors, Transfer Agents and Registrars	16	20
Material Contracts	16	21
Financial Statements	17	22
Purchaser's Statutory Rights of Withdrawal and Rescission ..	25	23
Statutory Rights of Residents of British Columbia	25	24
Schedule "A"	27	

PROSPECTUS OF ANDREAE EQUITY INVESTMENT FUND LIMITED

1. Name and Incorporation of Issuer. Andreae Equity Investment Fund Limited (herein called "the Fund" or "the Company") was incorporated as an investment company by Letters Patent dated August 23, 1960 pursuant to the laws of the Province of Ontario. The Fund obtained Supplementary Letters Patent dated August 15, 1963 amending the rights attached to the Class "A" shares and changing the name of the Fund from Andreae Cole Investment Fund Ltd. The Fund obtained further Supplementary Letters Patent dated August 24, 1964 further varying the preferences, rights, conditions, restrictions and limitations attaching to the Class "A" shares; a description of such shares is set forth in paragraph 12 of this Prospectus and Schedule "A". The address of the head and principal office of the Fund is 101 Richmond Street West, Toronto 1, Ontario.

2. Share and Loan Capital Structure. The authorized capital of the Fund is divided into Class "A" shares with a par value of 20¢ each (herein called the "Class "A" shares") which are non-voting except in the circumstances described in paragraph 8 of Schedule "A" hereof and common shares with a par value of 20¢ each. The authorized capital consists of 5,691,539 Class "A" shares and 725,000 common shares as at the 31st day of August, 1968; as at such date 1,594,290 Class "A" shares and 30 common shares had been issued and were outstanding and no loan capital formed part of the capital structure of the Fund.

3. Policies with Respect to Securities Investments. The general nature of the business actually transacted by the Fund is operating as an open-end investment company and investing its assets in securities. The Board of Directors has laid down general rules to guide the Fund's investment policy which are set forth below and may be amended or varied by the Board without the approval or consent of the Shareholders.

- (1) In the purchase of securities, first consideration shall be given to growth of capital with due regard to safety of principal and income;
- (2) Not more than 10% of the assets of the Fund taken at market value may at the time of investment be invested in one security with the exception of government securities; and
- (3) All securities other than government securities purchased by the Fund shall be listed on recognized stock exchanges provided that the Fund may purchase securities not so listed, including within the meaning of such term bonds, debentures, preferred shares and common shares, up to a maximum of 25% of the assets of the Fund. The Fund forwards to each of its shareholders a report on its securities portfolio quarterly.

4. Fundamental Policies of the Issuer. The policies set forth below except those contained in paragraph (m) and (n) may be amended or varied without the approval or consent of the Shareholders of the Fund. The Fund is prohibited from:

- (a) Investing in securities of any issuer if such purchase at the time thereof would cause more than 10% of the voting securities of such issuer to be held by the Fund;
- (b) Investing more than 25% of the Fund's total assets (taken at market value at time of purchase) in companies comprising any industry;
- (c) Purchasing shares of an open-end Mutual Fund except where (i) the fund whose shares are being acquired has similar general investment aims as the Company; (ii) the fund whose shares

are being acquired has complied with the requirements of any of the regulatory bodies having jurisdiction over the sale of the securities in Ontario; (iii) the shares of the fund being acquired are purchased at the net asset value thereof; and (iv) only one management fee is charged during the period the shares of the other fund are held;

- (d) Purchasing securities on margin or effecting short sales;
- (e) Purchasing securities which are the object of an initial sale and distribution, unless said securities may be lawfully sold in (a) the jurisdiction in which the Fund is registered, and/or (b) the jurisdiction in which the issuer is situate;
- (f) Underwriting or participating in the marketing of securities of any other company;
- (g) Borrowing money except under certain exceptional circumstances or for redemption of shares. Such loans, in any event, shall never exceed 5% of the Fund's total assets (at market value at time of borrowing);
- (h) Making or granting any loan to any officer or director of the Fund or its Manager;
- (i) Investing in the securities of any security issuer in which a director, officer or employee of the Fund or its Manager has an interest, direct or indirect, unless such director, officer or employee discloses his interest immediately;
- (j) Purchasing securities other than through normal public market facilities, except under certain exceptional circumstances, and the purchase price must approximate the prevailing market price or be negotiated on an arm's length basis;
- (k) Investing in securities which would result in or require an additional contribution or unlimited participation of

the Fund in the debt of the issuer of such securities;

- (l) Purchasing or selling commodities or commodity contracts;
- (m) Investing in mortgages or real estate;
- (n) Purchasing or selling real estate;
- (o) Investing in securities of companies for the purpose of exercising control or management.

Each of the above prohibitions have been in effect for the previous five years.

If the policies referred to in paragraph 3 or 4 hereof are amended or varied by the Board of Directors of the Fund, the Shareholders shall be notified in writing of such change within 60 days of the date of such policy change.

5. Price of Shares on Sale or Redemption. The subscription price of Class "A" shares of the Fund shall be the offering price, subject to volume discounts, as of the close of business on the last business day on which the Toronto Stock Exchange is open preceding the day of receipt of a subscription; the redemption price of the Class "A" shares shall be the net asset value as determined at the close of business on the day of presentation of such shares to the Fund for redemption providing that the Toronto Stock Exchange is open and if such Exchange is not open, it shall be determined as at the close of business on the next business day on which such Exchange is open.

6. Determination of Offering Price. The public offering price of each Class "A" share on cash sales of less than \$25,000 will be 109.29% of the net asset value adjusted to the nearest cent of the Class "A" shares at the time of the sale. The difference between the offering price and the net asset value represents the commission paid by the purchaser on the acquisition of the shares. Further reductions of the sales commissions are set forth in the table below:

Aggregate Offering Price	Sales Commission
Less than \$25,000	8½%
\$25,000 to \$49,999	6 %
\$50,000 to \$99,999	5 %
\$100,000 to \$199,999	4 %
\$200,000 to \$299,999	3 %
\$300,000 to \$499,999	2 %
\$500,000 and over	maximum of 1 %

In all cases, the net amount which the Company receives after payment of sales commissions will always be at least the net asset value of the Class "A" shares in effect at the time of the sale. A purchaser may qualify to pay sales commission at the above rates by signing a letter of intent to invest a specific sum of money within two years provided that his initial investment is at least 10% of such sum. If the specific sum is not invested within such period, the Custodian has the right to liquidate sufficient of the Class "A" shares purchased to compensate for the higher sales commissions that would have been payable if a letter of intent had not been signed.

Class "A" shareholders may elect to have their dividends on Class "A" shares automatically reinvested in additional Class "A" shares, without payment of any sales commission. In addition Class "A" shareholders, subject to the provisions of the Letters Patent of the Company set out in Schedule "A" hereto, may at any time redeem all or any part of the Class "A" shares held by them without payment of any commission or charge on such redemption other than the payment of the \$2.00 redemption fee referred to in paragraph 9 of this Prospectus.

A holder of Class "A" shares (including a Planholder and Programme-holder) desiring to have shares redeemed by the Company may surrender the certificate or certificates properly endorsed representing such shares at the head office of the Company or at the offices of Canada Permanent Trust Company at 253 Bay Street, Toronto, Ontario, or 600

Dorchester Boulevard West, Montreal, Que., and will receive therefor the amount calculated in accordance with the provisions of paragraph 5 of this prospectus.

A holder of Class "A" shares (including a Planholder and a Programme-holder) may transfer the whole or any specified number of Class "A" shares held by or for him to another person approved by a Selling Agent or to another type of Plan or Programme offered by such Selling Agent upon payment of a transfer fee of \$2.00 to Canada Permanent Trust Company and the payment of any required transfer tax thereon.

A Planholder or Programme-holder in respect of Class "A" shares will be charged a fee of \$2.00 by Canada Permanent Trust Company for each dishonoured cheque.

7. Method of Distribution. The Fund offers for sale to the public its Class "A" shares through International Fund Distributors Limited pursuant to the terms of the agreement referred to in paragraph 17 hereof. As wholesale distributor of the Fund's Class "A" shares, International Fund Distributors Limited has:

- (i) arranged investment dealers, stock brokers and others qualified to do so to participate with it in the distribution of the Class "A" shares;
- (ii) entered into arrangements whereby the Class "A" shares of the Company may be purchased in Ontario through an Accumulation Plan administered by C.A.P. Limited, 291 Dundas Street, London, Ontario;
- (iii) in addition to the foregoing, International Fund Distributors Limited is entitled to act as a retail distributor of the Class "A" shares of the Company in the Province of Ontario.

All subscriptions received by any of the above sources are submitted for approval to International Fund Distributors Limited at 101 Richmond Street West, Toronto and are sold

at the price calculated as to time and amount in accordance with the provisions of paragraph 5 hereof.

The distributors hereinbefore described are herein sometimes referred to as "Selling Agents".

8. Methods of Purchase. Shares of the Fund are available in the following ways:

(a) Cash Purchase: Class "A" shares of the Company may be purchased from time to time at the public offering price in any amount of not less than \$100. A share certificate of the Company with respect to such shares purchased will be promptly delivered to the Purchaser.

(b) Accumulation Plans: (formerly available to persons in the Province of Quebec. It is the intention of the Company to seek a ruling, pursuant to the provisions of section 20(e) of the Quebec Securities Act, that sales only to present Planholders in that Province under their Plans are exempt transactions. Accordingly.)

(i) An Accumulation Plan may have been established with an initial investment as low as \$40 and subsequent investments as low as \$20. Such subsequent investments are normally made each month after the issue of the Plan. The Class "A" shares acquired under such Plan will be held by Canada Permanent Trust Company (the "Custodian") for the Planholder and credited to the Planholder's account by the Custodian. All dividends payable thereon will be received by the Custodian and automatically re-invested in additional Class "A" shares for the Planholder at the then current net asset value. The Custodian will deduct from investments prior to the purchase of Class "A" shares, all sales charges, the Custodian's fee and administration fees as shown in Table I set forth on page

6 of this Prospectus and will invest the balance in Class "A" shares of the Company at the time such investment or investments are received by cash, cheque, money order or other bankable funds at the Montreal office of Canada Permanent Trust Company. The Custodian's charges shall be reduced by 50% if 6 to 11 investments are made at one time and by 75% if 12 or more investments are made at one time under an Accumulation Plan.

A Planholder may on request obtain a certificate representing Class "A" shares held for his account.

A Planholder may at any time terminate a Plan held by him. Upon such termination, the Custodian shall deliver a certificate of the Fund for all Class "A" shares held under such terminated Plan to the Planholder. In the event of such termination, the Planholder will not be entitled to repayment of the sales commission or any part thereof already paid under any such Plan. The Planholder may, in lieu of receiving a certificate for all such Class "A" shares, direct that the shares held under the Plan be surrendered to the Fund for redemption and in that event such shares shall be surrendered for redemption and the proceeds of redemption shall be paid to the Planholder.

Except for forfeiture of sales commission, custodian fees and administration fees as aforesaid and payment of a liquidation fee of \$2.00 to Canada Permanent Trust Company, there is no penalty or discontinuance fee for early termination of a Plan. In the event that the Class "A" shares of the Company are no longer avail-

able for investment for a reasonable period of time or in the event that the Planholder defaults in making any investments under the Plan for a period of one year after the same becomes due, the Selling Agent may at its option terminate the Plan by giving written notice thereof to the Planholder. After such termination the Custodian is authorized to redeem sufficient shares of the Fund standing in the Planholder's account to pay all authorized deductions and to transfer all the remaining shares into the name of the Planholder and deliver a certificate for the same to the Selling Agent for delivery to the Planholder upon surrender of his Plan Certificate. In the event that the Plan is terminated because the Fund's Class "A" shares are no longer available for investment, the Selling Agent will refund the sales charge deductions on investments made under the Plan to the extent that the percentage such sales charge deductions bear to such investments made exceed the percentage that the total sales charge deductions would have been to the total investments made if the Plan had been completed.

(ii) **Accumulation Plans with Insurance.**

Accumulation Plans were also available with insurance on the life of the Planholder or the person designated by him (hereinafter called the "Insured") arranged through Global Life Insurance Company (hereinafter called the "Insurer") to provide, in the event of the death of the Insured, for payment to the Custodian of an amount equal to the aggregate unpaid deposits under the Plan to the maximum of the first \$25,000 of the Plan objective excluding any monthly

investments after the Insured has attained the age of 66. No person may become insured if he has attained the age of 66. In the initial years the premium paid with each investment is not sufficient to cover the insurance provided. Should any such Plan be terminated for any reason prior to its conclusion, or should insurance under any such Plan be terminated as required because the Insured has attained the age of 66, there will be an additional premium charged to the Planholders' account for the insurance coverage enjoyed by him to termination based on the higher premium rate (calculated at the Insurer's standard rates for term insurance) applicable to such insurance coverage for the reduced term of the insurance. Payment of the proceeds of the insurance after the deduction of all sales charges applicable to the particular Plan will be applied by the Custodian to purchase Class "A" shares of the Company to complete such Plan. An additional cost over and above each monthly investment in a Plan for such life insurance will be charged. The basic premium rate applicable to insured persons of all ages of standard risk as determined by the Insurer in accordance with underwriting principles, including the total and permanent disability feature (applicable only to such Insured prior to their 60th birthday), payable under the Plans on a level premium basis of 39.5¢ per \$10 deposit on Plans requiring 124 investments and 60¢ per \$10 deposit on Plans requiring 179 investments which monthly premiums remain constant throughout the Plan (subject to the Insurer's

TABLE I
ACCUMULATION PLANS

Plan Denomination	Minimum Initial Investment	Each Subsequent Minimum Investment	Sales Commission Deduction from Minimum Initial Investment	Sales Commission Deduction from Each of 2nd - 12th Minimum Subsequent Investments	Sales Commission Deduction from the 13th & Each Minimum Subsequent Investment	Total Commissions Charged	Commission % of the Plan Denomination	Custodian Fee Deduction from Each Minimum Investment	Total Custodian Fees Charged	Total Charges Including Commission and Custodian Fees	Total Commission and Custodian Charges as % of the Plan Denomination	Total Amount Invested
\$ 2,500.	\$40.	\$20.	\$19.00	\$ 9.25	\$.93	\$ 224.91	9.%	\$.50	\$62.00	\$ 286.91	11.48%	\$2,213.09
3,750.	60.	30.	29.00	14.05	1.37	336.99	9.	.70	86.80	423.79	11.30	3,326.21
5,000.	80.	40.	39.00	19.00	1.72	440.64	8.8	.90	111.60	552.24	11.04	4,447.76
6,250.	100.	50.	48.75	23.75	1.98	531.76	8.5	1.00	124.00	655.76	10.49	5,594.24
7,500.	120.	60.	58.75	28.75	2.20	621.40	8.3	1.00	124.00	745.40	9.94	6,754.60
10,000.	160.	80.	78.50	38.50	2.67	801.04	8.	1.25	155.00	956.04	9.56	9,043.96
12,500.	200.	100.	98.25	48.25	3.08	973.96	7.8	1.50	186.00	1,159.96	9.28	11,340.04
15,000.	240.	120.	118.00	58.00	3.43	1,140.16	7.6	1.75	217.00	1,357.16	9.05	13,642.84
20,000.	320.	160.	157.75	77.75	4.16	1,478.92	7.4	2.00	248.00	1,726.92	8.63	18,273.08
25,000.	400.	200.	197.00	97.25	4.98	1,824.51	7.3	2.50	310.00	2,134.51	8.54	22,865.49
PLANS REQUIRING \$125. MINIMUM INVESTMENTS												
50,000.	400.	400.	197.00	197.25	5.65	3,005.20	6.	2.50	312.50	3,317.70	6.64	46,682.30
75,000.	600.	600.	297.00	297.25	5.65	4,205.20	5.6	2.50	312.50	4,517.70	6.02	70,482.30
100,000.	800.	800.	397.00	397.25	5.65	5,405.20	5.4	2.50	312.50	5,717.70	5.72	94,282.30
PLANS REQUIRING \$179. MINIMUM INVESTMENTS												
3,600.	40.	20.	19.00	9.25	1.10	304.45	8.5	.50	83.50	387.95	10.78	3,212.05
5,400.	60.	30.	29.00	14.05	1.64	457.43	8.5	.70	125.30	582.73	10.79	4,817.27
7,200.	80.	40.	39.00	19.00	2.17	610.39	8.5	.90	161.10	771.49	10.72	6,428.51
9,000.	100.	50.	48.75	23.75	2.73	765.91	8.5	1.00	179.00	944.91	10.50	8,055.09
10,800.	120.	60.	58.75	28.75	3.08	889.36	8.25	1.00	179.00	1,068.36	10.80	9,731.64
14,400.	160.	80.	78.50	38.50	3.97	1,164.99	8.1	1.25	223.75	1,388.74	9.64	13,011.26
18,000.	200.	100.	98.25	48.25	4.85	1,438.95	8.	1.50	268.50	1,707.45	9.49	16,292.55
21,600.	240.	120.	118.00	58.00	5.82	1,727.94	8.	1.75	313.25	2,041.19	9.45	19,558.81
28,800.	320.	160.	157.75	77.75	7.55	2,273.85	7.9	2.00	358.00	2,631.85	9.14	26,168.15
36,000.	400.	200.	197.00	97.25	9.22	2,806.49	7.8	2.50	447.50	3,253.99	9.04	32,746.01
PLANS REQUIRING \$180. MINIMUM INVESTMENTS												
72,000.	400.	400.	197.00	197.00	10.10	4,060.80	5.7	2.50	450.00	4,510.80	6.27	67,489.20
108,000.	600.	600.	297.00	297.00	10.28	5,291.04	4.9	2.50	450.00	5,741.04	5.32	102,258.96
144,000.	800.	800.	397.00	397.00	10.22	6,480.96	4.5	2.50	450.00	6,930.96	4.81	137,069.04

THE AMOUNT OF THE PLANHOLDER'S INITIAL INVESTMENT INCLUDING THE \$2.00 CUSTODIAN FEE, WILL BE PROMPTLY REFUNDED TO HIM IN FULL UPON RECEIPT OF HIS WRITTEN REQUEST MADE WITHIN 30 DAYS AFTER ACCEPTANCE OF THE PLAN.

right annually to vary the premiums based on experience). Insurance in excess of \$25,000 is available on similar terms at increased premium rates, particulars of which will be supplied by the Insurer upon request. An Insured of substandard risk as determined by the Insurer is a person who by reason of a health impairment is not acceptable at the basic premium rate but who is an acceptable risk at an increased premium rate. Other than the charges referred to aforesaid there is no penalty or discontinuance fee for early termination of the insurance.

If the Planholder fails to make the required contribution to his Plan by reason of illness or injury, (being less than total and permanent disability) and upon the Planholder making satisfactory arrangements for payment of premiums to the Selling Agent, the insurance may be continued at its discretion by the Selling Agent (Policyholder) continuing premium payments, but such insurance shall terminate 7 days after the date of recovery or one year from the date of failure to make such contribution, whichever date first occurs, unless the Planholder shall have resumed making his contributions to the Plan.

On submission to the Insurer of satisfactory proof that any Insured rated as standard while insured hereunder and prior to his 60th birthday has become totally and permanently disabled as a result of bodily injury or disease (if the Insured has complete inability to engage in gainful occupations for which he is reasonably fitted by education, training or experience), the Insurer will continue the insurance on such Insured in

force for the amount then in effect without payment of premiums, and commencing six months after submission of such proof will pay to the Selling Agent the part of the required monthly investment of the Planholder representing investment toward the first \$25,000 of the Plan objective as and when they fall due but not after age 66, subject to satisfactory proof of the continuance of such total and permanent disability being submitted to the Insurer at any time on demand but the Insurer will not demand such proof more often than once a year after such disability has continued for two years. If such Insured ceases to be totally disabled or fails to submit proof of the continuance of total disability, the monthly investments and all insurance on such person shall terminate automatically.

In the event that the Insurer fails or refuses to pay under any such insured Plan, the Selling Agent is not required to bring any suit nor incur any expense for collecting on the policy unless first fully indemnified against all costs, counsel fees and other expenses. All insured Plans are issued with the express understanding that the Selling Agent is not in any way engaged in the insurance business, and that the Selling Agent is not making any representation in any manner whatsoever regarding, or otherwise warranting, validity or legality of the life insurance arranged for in accordance with the terms of the Plans or of the group policy. If an Insured dies by his own act within two years of effecting insurance or any increase therein, such insurance or increase therein shall be void. The insurer has

the right annually to vary the premium based on experience.

(c) **Systematic Capital:** Accumulation Plan No. 120 offered by C.A.P. Limited. International Fund Distributors Limited, the Manager of the Fund, has made arrangements with C.A.P. Limited, 291 Dundas Street, London, Ontario whereby the latter company makes available its investment services through registered dealers for purchase of the Class "A" shares of the Company on a systematic basis at the prices calculated in accordance with the provisions of paragraph 5 hereof. The Systematic Capital Accumulation Plan No. 120 of C.A.P. Limited provides for a minimum of 120 purchases of the Class "A" shares of the Company within a 10-year period. The Plan constitutes a service contract between the purchaser of the Class "A" shares and C.A.P. Limited. A detailed description of the Plan may be obtained from C.A.P. Limited at the above-mentioned address.

(d) **Systematic Programme:** Through the services of registered dealers, Class "A" shares of the Company may be purchased at the public offering price through a Systematic Programme (hereinafter called the "Programme") at the prices calculated in accordance with the provisions of paragraph 5 hereof. The Programme provides for an initial investment of at least \$100 and for subsequent investments of at least \$100 whenever the Programme-holder desires. A Programme may be terminated by a Selling Agent if the Programme-holder fails to make an investment for 6 months or more, in which event the Custodian shall furnish the Programme-holder with a share certificate for the Class "A" shares then held and shall refund in cash any fraction of a share based on the redemption price then in effect. Investments

made by the Programme-holder are applied to the purchase of Class "A" shares of the Company at the public offering price prevailing at the time such investments are received by Canada Permanent Trust Company at its Montreal or Toronto office.

Shares purchased with the initial and all subsequent investments are credited to the Programme-holder's share account maintained by the Custodian. All dividends payable thereon will be received by the Custodian and reinvested in further shares for the Programme-holder at net asset value. When any such Programme has been completed or at the request of a Programme-holder at any time, the Canada Permanent Trust Company as Custodian will issue a Certificate in the name of the Programme-holder for the Class "A" shares owned by him upon surrender of the Programme-holder's certificate. A charge of not more than \$1.50 per payment shall be deducted by the Custodian to reimburse it for administration expenses.

(e) **Withdrawal Plans:** When an investor has invested a minimum of \$5,000 or has acquired Class "A" shares which have attained a total net asset value of at least \$5,000 he may then liquidate (a) such number of shares each month (or quarter-annually) as is necessary to provide for periodic payments to him of \$50 or any multiple of \$25 above that amount; or (b) he may liquidate a number of shares each month or quarter; provided that Class "A" shares required to be liquidated to make the periodic payments in (a) or (b) aforesaid shall be liquidated as of the last business day of the month or quarter on which the net asset value of the Class "A" shares of the Fund is determined. A charge of \$1.00 (subject to revision by the Custodian

from time to time) per payment shall be deducted by the Custodian to reimburse it for administration expenses. Dividends shall be reinvested by the Custodian in Class "A" shares of the Fund.

HOWEVER, IF SUCH LIQUIDATIONS ARE IN EXCESS OF DIVIDEND INCOME FROM THE CLASS "A" SHARES AND NET CAPITAL APPRECIATION, IT MAY RESULT IN ENCROACHMENT ON OR POSSIBLE EXHAUSTION OF THE SHAREHOLDER'S ORIGINAL CAPITAL.

- (f) **Retirement Savings Plan:** A Retirement Savings Plan under which Canada Permanent Trust Company, as Trustee, attends to the registration of the Plan pursuant to the provisions of Section 79B of the Income Tax Act (Canada). All deposits received by the Trustee under a Retirement Savings Plan are used to purchase Class "A" shares of the Fund at the public offering price thereof from time to time. All the conditions of the Plan are referred to in the form of application for membership. The Trustee is entitled to an initial service fee of \$5.00 per Plan and an administration fee of one-half of one per cent per annum of the net asset value of the shares in each Plan, such fee being determined and payable quarterly on the last days of March, June, September and December in each year and being then chargeable to the respective accounts. Shares purchased under this Plan are non-assignable, non-transferable and absolutely inalienable except to the extent permitted by the Income Tax Act (Canada).

9. Determination of Redemption Price. The redemption price of each share of the Class "A" shares of the Company as of any particular time shall be the quotient obtained by dividing the value as at such time of the net assets of the

Company on the day of such determination by the total number of shares of the Company of both classes outstanding at such time. The formula for determining the net asset value of the shares is set forth in paragraph 5(b) of Schedule "A" to this Prospectus.

Payment of the redemption price of such Class "A" shares of the Company tendered to it for redemption as aforesaid shall be subject to the provisions of the next succeeding clause made by the Company to the extent that the Company will have any reserve available for such purpose and out of such reserve within five business days after the redemption date as of which such share is being redeemed; on redemption, there is a payment of \$2.00 to Canada Permanent Trust Company as a liquidation fee.

If, as of any redemption date, the requests for redemption of Class "A" shares are in excess of the reserve available for such purposes, redemption shall be on a pro rata basis on the shareholdings so tendered for redemption; no share shall be redeemed if the effect is to render the Company insolvent; every shareholder so tendering shares for redemption shall have redeemed the same percentage of shares so tendered for redemption as every other shareholder tendering shares for redemption as of such redemption date.

10. Tax Status of the Fund. The Fund is an incorporated Company and as such is subject to corporate income tax on its taxable income under the Income Tax Act (Canada). Income receipts of the Fund are taxed and capital receipts are not taxed. The Fund does not qualify as an investment company under Section 69 of the Income Tax Act.

11. Tax Status of Security Holder. The cash dividends paid by the Fund are taxable in the hands of the shareholders whether received by them in cash or reinvested in additional shares. Shareholders are advised each year by the dividend disbursing agent of the total amount of the cash income dividends paid to them

or Class "A" shares credited to their account during the year and individual shareholders resident in Canada are presently entitled to claim a tax credit equal to 20% of these distributions. Shareholders who are taxable Canadian corporations will not be subject to corporation taxes on any dividends paid by the Fund.

12. Description of Shares offered. The Class "A" shares of the Company are the only shares of the Company offered for sale to the public, a description of which is set forth in Schedule "A" to this Prospectus. A summary of the rights, restrictions, conditions and limitations attached to the Class "A" shares is as follows:

- (i) **Dividend Rights.** Dividends paid by the Company are paid on the Class "A" shares and common shares, share for share, without any distinction or preference whatsoever;
- (ii) **Voting Rights.** The holder of common shares in the capital stock of the Company is entitled to one vote for each common share held at all meetings of shareholders. The rights of the holders of Class "A" shares in the capital stock of the company to receive notice of, attend and vote at meetings of shareholders are restricted as provided in the Letters Patent and Supplementary Letters Patent of the Company all as set forth in Schedule "A" to this Prospectus.
- (iii) **Redemption Rights.** The registered holder of a Class "A" share may at any time require the Fund to redeem at the net asset value all or any of such shares registered in the name of the holder by delivering to the Fund a written notice to that effect and surrendering the certificate representing the shares to be redeemed properly signed or endorsed, provided however the Board of Directors may suspend during any period of emergency the obligation of

the Fund to redeem the Class "A" shares;

- (iv) **Liquidation or Distribution Rights.** In the event of the liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, the holders of the Class "A" shares shall be entitled to receive, before any distribution of any part of the assets of the Company among the holders of the common shares, the par value of the Class "A" shares; thereafter, the holders of the common shares shall be entitled to receive the par value of the common shares; and thereafter, the holders of the Class "A" shares and common shares shall rank equally, share for share, in any remaining assets of the Company;
- (v) **Amendment or Variation of the Rights of Class "A" Shareholders.** The authorization to delete any preference, right, condition, restriction, limitation or prohibition attaching to the Class "A" shares or to create preference shares ranking in priority to or on a parity with the Class "A" shares, in addition to the authorization by a special resolution, may be given by at least two-thirds (2/3) of the votes cast at a meeting of the holders of the Class "A" shares duly called for that purpose; the formalities to be observed with respect to the giving of notice of any such meeting, quorum, the conduct thereof and all other matters shall be those from time to time prescribed in the Letters Patent, Supplementary Letters Patent and by-laws of the Company with respect to meetings of shareholders; at any such meeting, the holders of the Class "A" shares shall be entitled to one (1) vote for each Class "A" share held.

13. Dividend Record. The particulars of dividends paid to shareholders of record during the last five completed financial years preceding the date of this Prospectus are as follows:

Year ended November 30	Class "A" shares Per share	Total	Common shares Per share	Total
1963	nil		nil	
1964	2¢	\$ 9,798.28	2¢	\$.60
1965	2¢	\$12,758.20	2¢	\$.60
1966	3¢	\$30,932.00	3¢	\$.90
*1967	5¢	\$78,739.35	5¢	\$1.50
1968	5¢	\$83,812.00	5¢	\$1.50

*Fiscal year ending changed from November 30 to August 31, effective August 31, 1967.

14. Directors and Officers. The Directors and Officers of the Fund and their principal occupations during the past five years are as stated below:

Herbert Christopher Andreae, Director and President, 38 Dunvegan Road, Toronto 7, Ontario. Director and Vice-Chairman, International Trust Company; Director and President, International Fund Distributors Limited; Director, Canadian Industrial Gas & Oil Ltd.; Director, Debenture & Securities Corporation Limited. For the past five years, President and Director, H. C. Andreae & Company Limited.

James Walton Bennett, Director and Vice-President, 69 Lonsdale Road, Toronto 7, Ontario. For the past four years, Investment Officer, International Trust Company; for the immediate preceding one year, Investment Counsel for H. C. Andreae & Co. Ltd.

George Frederick Bain, Director, 160 Denise Drive, Hillsborough, California 94010. Director, International Fund Distributors Limited. For the past five years, Economist, Toronto, Ontario.

George Harold Craig, C.A., Director, 23 Tullis Drive, Toronto 7, Ontario. Director, International Fund Distributors Limited. For the past five years, Chartered Accountant in public practice.

Robert Parker MacFadden, Director, 770 Park Avenue, New York, New York. President, The

Mercantile Bank of Canada. For the past five years, Banker.

Herbert Ronald Patterson, Q.C., Director, 85 Wanless Crescent, Toronto 12, Ontario. Barrister and Solicitor. For the past five years, engaged in the practice of law.

Laurence Melville Savage, Director and Chairman of the Board, R.R. No. 4, Galt, Ontario. Director and Vice-President, Canada Permanent Mortgage Corporation and Canada Permanent Trust Company; Director, a chartered Canadian Bank; Director and Vice-President, International Fund Distributors Limited; Director, Dominion of Canada General Insurance Company; Director, Union Gas Company of Canada Limited.

William Benson, Secretary-Treasurer, 276 Briar Hill Avenue, Toronto 12, Ontario. Prior to 1964 an Investment Officer with Eastern & Chartered Trust Company. From 1964 to 1966 in a similar capacity with H. C. Andreae & Company Limited. From 1966 to the present, a Trust Officer with International Trust Company.

Georgina Russell, Assistant Secretary-Treasurer, Apt. 809, 1 Oriole Road, Toronto, Ontario. Prior to 1964 Administrative Assistant of The Rowntree Company Limited. From 1964 to 1966 Administrative Assistant at the Ontario Institute for Studies in Education. In 1967, the Accountant at the University Club (Toronto).

The Directors and Officers of the Manager, International Fund Distributors Limited, and their principal occupations during the past five years are as stated below:

Herbert Christopher Andreae, Director and President, 38 Dunvegan Road, Toronto 7, Ontario. Director and Vice-Chairman, International Trust Company; Director and President, Andreae Equity Investment Fund Limited; Director, Canadian Industrial Gas & Oil Ltd.; Director, Debenture & Securities Corporation Limited. For the past five years, Presi-

dent and Director, H. C. Andreae & Company Limited.

Peter Arthur Spark, Director, 179 Princess Anne Crescent, Islington, Ontario. For the first three of the past five years, Assistant Treasurer, Investment Department, Sun Life Assurance Company of Canada; latterly, Director of Investment Research, International Trust Company.

George Frederick Bain, Director, 160 Denise Drive, Hillsborough, California 94010. Director, Andreae Equity Investment Fund Limited. For the past five years, Economist, Toronto, Ontario.

George Harold Craig, C.A., Director, 23 Tullis Drive, Toronto 7, Ontario. Director, Andreae Equity Investment Fund Limited. For the past five years, Chartered Accountant in public practice.

Laurence Melville Savage, Director and Vice-President, R.R. No. 4, Galt, Ontario. Director and Vice-President, Canada Permanent Mortgage Corporation and Canada Permanent Trust Company; Director, a chartered Canadian Bank; Director and Chairman of the Board, Andreae Equity Investment Fund Limited; Director, Dominion of Canada General Insurance Company; Director, Union Gas Company of Canada Limited.

William Grant Crerar, Vice-President, 317 Glenayr Road, Toronto 10, Ontario. For the first year of the past five years, Registered Representative Broker, Dominion Securities; for the next two years, Investment Officer, Montreal Trust Company; for the past two years, Trust Officer, International Trust Company.

William Benson, Secretary-Treasurer, 276 Briar Hill Avenue, Toronto 12, Ontario. Prior to 1964 an Investment Officer with Eastern & Chartered Trust Company. From 1964 to 1966 in a similar capacity with H. C. Andreae & Com-

pany Limited. From 1966 to the present, a Trust Officer with International Trust Company.

Georgina Russell, Assistant Secretary-Treasurer, Apt. 809, 1 Oriole Road, Toronto, Ontario. Prior to 1964 Administrative Assistant of The Rowntree Company Limited. From 1964 to 1966 Administrative Assistant at the Ontario Institute for Studies in Education. In 1967, the Accountant at the University Club (Toronto).

15. Remuneration of Directors and Senior Officers. The by-laws of the Fund provide that the remuneration of all or any of the directors and officers of the Fund shall be determined from time to time by resolution of the Board of Directors and also provide for the reimbursement of directors for travelling and other expenses properly incurred in connection with the affairs of the Fund. The aggregate remuneration paid by the Fund during its last completed financial year to directors and officers of the Fund was \$6,062.30. The aggregate remuneration paid by the Fund to its officers and directors from the last completed financial year to the 30th day of November, 1968 was \$1,560.

16. Custodian of Portfolio Securities. The securities and cash owned by the Fund are deposited for safekeeping with and kept at the offices of International Trust Company, an affiliate of First National City Bank, at 120 Adelaide Street West, Toronto, Ontario. The fees payable to the Custodian by the Fund are determined by agreement between the Fund and the Custodian. No fees were charged by the Custodian for the year ending August 31st, 1968.

17. Management of the Issuer and Distribution of Securities. The management of the Fund, other than the management of the investment portfolio, is the responsibility of International Fund Distributors Limited, which has engaged the services of International Trust Company to assist it in the fulfilment of its obligations.

The management of the investment portfolio is the responsibility of International Fund Distributors Limited. In this function International Trust Company, through its investment officers, assist the Manager.

Investment analysis is obtained from a wide variety of financial institutions and investment brokers. On the basis of this information, investment recommendations are formulated by International Fund Distributors Limited and decisions upon these recommendations are made and implemented through the purchase and sale of securities by International Fund Distributors Limited.

The Manager has not entered into any brokerage arrangements relating to the purchase and sale of investments, but allocates such brokerage business to persons or companies furnishing statistical research or other services to the Manager. The total cost of securities acquired during the last completed financial year was \$5,753,422 of which \$2,789,292 were short term notes and government bonds and \$1,104,126 were convertible debentures and \$1,860,004 were common and preferred stocks. The cost of securities held at the beginning of the Fund's last completed fiscal year was \$5,097,086 and the cost of securities held at the end of the Fund's last completed fiscal year was \$5,110,306. The principal brokers during the past year were A. E. Ames & Co. Ltd. of 320 Bay Street, Dominion Securities Corporation Limited of 50 King Street West and Green-shields Incorporated of Toronto-Dominion Centre, all in Toronto, Ontario, through whom, in the aggregate, \$3,020,705 of such securities were purchased.

The securities of the Fund are distributed through the Manager who was appointed the wholesale distributor of the Fund in accordance with the terms of an agreement entered into February 10, 1967. A more detailed description of the distribution of the Class "A" shares is set forth in paragraph 7 of this Prospectus.

The names and addresses of the directors and officers of The International Trust Company are as follows:

DIRECTORS

Conrad Frederick Ahrens — Director, 40 East 78th Street, New York, New York.

Herbert Christopher Andreae — Director, 38 Dunvegan Road, Toronto 7, Ontario.

John Price Sinclair Mackenzie — Director, 440 Bonsecours, Montreal, Quebec.

Robert Parker MacFadden — Director, 770 Park Avenue, New York, New York.

William Struan Robertson, Q.C. — Director, 103 Crescent Road, Toronto 5, Ontario.

Francois Mercier, Q.C. — Director, 143 Balfour Avenue, Town of Mount Royal, Quebec.

Louis Rosseau — Director — 267 St. Lawrence, Longueuil, Quebec.

Hon. Alan A. Macnaughton — Director, 7 Redpath Row, Montreal, Quebec.

Robert Louis Hoguet, Jr. — Director, 1088 Park Avenue, New York, New York.

OFFICERS

Conrad Frederick Ahrens — Chairman, 40 East 78th Street, New York, New York.

Herbert Christopher Andreae — Vice-Chairman, 38 Dunvegan Road, Toronto 7, Ontario.

John Price Sinclair Mackenzie — President, 440 Bonsecours, Montreal, Quebec.

Edmund Martin McCarthy, Jr. — Vice-President, 1110 Sherbrooke Avenue West, Montreal, Quebec.

Alfred Hunt Howell — Vice-President, 4602 Palisade Avenue, Riverdale, Quebec.

William Chase Lancaster — Vice-President, 7 Heusted Drive, Old Greenwich, Connecticut.

Edward James McConnell — Vice-President, 220 Douglas Drive, Toronto, Ontario.

Ronald Michael Guy Meade — Vice-President, 222 Elgar Park, Montreal, Quebec.

Gordon Griffith Phelps — Vice-President, 78 Gables Court, Beaconsfield, Quebec.

Victor Oscar Prall, Jr. — Vice-President, 870 United Nations Plaza, New York, New York.

Gardner Stevens Lynch — Secretary-Treasurer, 1509 Sherbrooke Street West, Montreal, Que.

Howard Lloyd Kelly — Assistant General Manager, 51 Cedar Avenue, Pointe Claire, Quebec.

William Benson — Investment Officer, 276 Briar Hill Avenue, Toronto, Ontario.

James Walton Bennett — Investment Officer, 69 Lonsdale Road, Toronto, Ontario.

William Grant Crerar — Trust Officer, 317 Glenayr Road, Toronto, Ontario.

Stephen Longshore — Trust Officer, 1550 McGregor, Montreal, Quebec.

Douglas Horace Niblock — Chief Accountant, 21 Westpark Boulevard, Dollard Des Ormeaux, Quebec.

Edward Anthony Shea — Manager, Corporate Trust and Securities, 343 Frontenac Drive, Dollard des Ormeaux, Quebec.

Peter Arthur Spark — Director Investment Research, 179 Princess Anne Cres., Toronto, Ontario.

Robert Edward Davis — Accountant, 4 Shadwell Place, Don Mills, Ontario.

Edmund Martin McCarthy — Vice-President and General Manager, 1110 Sherbrooke Avenue West, Montreal, Quebec.

Brian Moorehouse — Trust Officer, 4530 Cote des Neige, Montreal, Quebec.

18. Relationship to Issuer. International Trust Company is associated with the Fund by virtue of its ownership of 20% of the common shares of the Fund.

H. C. Andreae is associated with the Fund and International Fund Distributors Limited and serves as President of each of such companies; he is the registered owner of 25% of the issued and outstanding shares of International Fund Distributors Limited and holds an option to purchase the balance of such outstanding shares; he is also the registered owner of 80% of the issued and outstanding common shares of the Fund and also owns a substantial number of its Class "A" shares.

International Fund Distributors Limited, as Investment Manager, of the Fund, is entitled to an investment management fee of $\frac{1}{4}$ of 1% of the net asset value of the Fund at the end of each fiscal quarter; the Investment Manager pays $\frac{1}{5}$ of such fee to the International Trust Company as compensation for the investment management assistance received from such company. In the year ended August 31, 1968, the investment management fee in aggregate amounted to \$29,657, of which \$5,931 was paid to International Trust Company.

In addition to the foregoing, International Fund Distributors Limited has been paid a sum of \$8,000 in aggregate for the year ending August 31, 1968 as compensation for attending to and supervising the administrative functions relating to the operation of the Fund including the provision of office accommodation for the Fund. In order to broaden the base of administration and to provide operating management in depth commencing with the fiscal year beginning September 1, 1967, International Fund Distributors Limited engaged the services of International Trust Company at a fee of \$500 per month to assist in such administration.

International Fund Distributors Limited, as wholesale distributor of the Class "A" shares of the Fund, is entitled to a sales commission equal to not more than 2½% of the selling price of such shares.

19. Principal Holders of Securities. The following owned beneficially and of record more than 10% of a class of shares of the Issuer or the Manager as at the 30th day of November, 1968 particulars of which are set forth below:

Name and Address	Name of Company	Issuer or Relationship thereto	Designation of Class	Type of Ownership	Number of Shares Owned	Percentage of Class
George Harold Craig, 23 Tullis Drive, Toronto 7, Ontario.	International Fund Distributors Limited	Manager and Wholesale Distributor	Common	*Beneficial	1	25%
Lawrence Melville Savage, R.R. No. 4, Galt, Ontario.	International Fund Distributors Limited	Manager and Wholesale Distributor	Common	*Beneficial	1	25%
George Frederick Bain, 160 Denise Drive, Hillsborough, California 94010.	International Fund Distributors Limited	Manager and Wholesale Distributor	Common	*Beneficial	1	25%
H. C. Andreae, 38 Dunvegan Road, Toronto, Ontario.	International Fund Distributors Limited	Manager and Wholesale Distributor	Common	Beneficial	1	25%
International Trust Company, 1015 Beaver Hall Hill, Montreal, Quebec.	Andreae Equity Investment Fund Limited	Issuer	Common	**Beneficial	6	20%
H. C. Andreae, 38 Dunvegan Road, Toronto, Ontario.	Andreae Equity Investment Fund Limited	Issuer	Common	**Beneficial	24	80%

*H. C. Andreae holds an option to purchase from Messrs. Craig, Savage and Bain or any one or more of them the shares held by them.

**International Trust Company has an option, exercisable on or after January 18, 1970 and not later than January 28, 1970 and subject to certain conditions, to purchase from H. C. Andreae a further 30% of the then outstanding common shares of the Issuer.

The following table sets forth the beneficial ownership of each class of shares of the Fund and the Manager owned either directly or indirectly by all directors and senior officers of the Fund and the Manager as a group as at the 30th day of November, 1968.

Name of Company	Issuer or Relationship thereto	Designation of Class	Percentage of Class
Andreae Equity Investment Fund Limited	Issuer	Class "A"	6%
Andreae Equity Investment Fund Limited	Issuer	Common	80%
International Fund Distributors Limited	Manager	Common	100%

20. Auditors, Transfer Agents and Registrars.

The auditors of the Company are Messrs. McDonald, Currie & Co., 120 Adelaide Street West, Toronto. Canada Permanent Trust Company at its offices located at 253 Bay Street, Toronto, Ontario, 600 Dorchester Blvd. West, Montreal, Quebec, 315 Eighth Avenue S.W.,

Calgary, Alberta and 455 Granville Street, Vancouver 2, British Columbia, is Registrar and Transfer Agent of the Class "A" shares of the Fund.

21. Material Contracts. No material contract has been entered into by the Fund within the two years prior to the date of this Prospectus, except:

- (i) a custody agreement dated November 28, 1968, entered into between the Fund and International Trust Company, an affiliate of First National City Bank, providing for the custody and safekeeping of the securities and cash owned by the Fund; and
- (ii) the distribution agreement entered into with the Manager dated February 10, 1967;

such contracts and agreements are available for inspection at the offices of the Fund at 101 Richmond Street West, Toronto, during business hours.

22. Financial Statements.

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the statements of financial position and investments of Andreae Equity Investment Fund Limited as at August 31, 1968 and the statements of income and expenses, surplus accounts and changes in net assets for the year and nine months then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. We have relied on the reports of the previous auditors who examined the financial statements for the three years ended November 30, 1966.

In our opinion, these financial statements present fairly the financial position of and investments held by the company as at August 31, 1968 and the results of its operations for the four years and nine months then ended in accordance with generally accepted accounting principles applied on a consistent basis.

October 31, 1968.
Toronto, Ontario, Canada

(Sgd.) McDonald, Currie & Co.
Chartered Accountants

ANDRAE EQUITY INVESTMENT FUND LIMITED

STATEMENT OF FINANCIAL POSITION AS AT AUGUST 31, 1968

	August 31, 1968	August 31, 1967
Assets:		
Cash	\$ 167,677	\$ 115,169
Accounts receivable —		
For security sales	—	103,483
For shares of the Fund sold	10,662	26,857
Interest accrued and dividends receivable	47,879	51,953
Investments in marketable securities valued on the basis of market quotations (average cost 1968 \$5,110,306)	<u>6,051,679</u>	<u>5,819,298</u>
	<u>6,277,897</u>	<u>6,116,760</u>
Liabilities:		
Accounts payable —		
For security purchases	29,880	148,503
For shares of the Fund to be redeemed	4,021	3,161
Other accounts payable and accrued liabilities	6,875	15,950
Income taxes payable	<u>16,651</u>	<u>13,120</u>
	<u>57,427</u>	<u>180,734</u>
Net assets at market value	<u>\$6,220,470</u>	<u>\$5,936,026</u>
Net asset value per share	<u>\$ 3.89</u>	<u>\$ 3.55</u>

Represented by:

	August 31, 1968	August 31, 1967
Capital Stock and Surplus:		
Capital stock —		
Class "A" non-voting shares with a par value of 20 cents each, redeemable at the shareholders' request at the liquidating value thereof to the extent that there is capital redemption reserve available for such purpose —		
Authorized — 5,691,539 shares (total shares authorized less 807,461 shares redeemed to date)		
Issued — 1,594,290 shares (during the year 260,194 shares were issued for cash and 329,084 shares were redeemed)	\$ 318,858	\$ 332,636
Subscribed for but unissued — 2,865 shares	573	1,483
Common shares with a par value of 20 cents each —		
Authorized — 725,000 shares		
Issued — 30 shares	6	6
	<u>319,437</u>	<u>334,125</u>
Surplus, Per Statement Attached:		
Contributed surplus —		
Capital redemption reserve	4,193,675	4,446,541
Paid-in income	(1,027)	1,460
Reserve for reinvestment (net realized gain on sale of investments)	690,378	363,171
Earned surplus	76,634	68,517
Unrealized appreciation in value of investments	941,373	722,212
	<u>5,901,033</u>	<u>5,601,901</u>
	<u>\$6,220,470</u>	<u>\$5,936,026</u>

SIGNED ON BEHALF OF THE BOARD:

(Sgd.) H. C. Andreae, Director

(Sgd.) G. H. Craig, Director

ANDREAE EQUITY INVESTMENT FUND LIMITED
STATEMENT OF SURPLUS ACCOUNTS
FOR THE PERIOD FROM DECEMBER 1, 1963 TO AUGUST 31, 1968
(with comparative unaudited figures for the year ended August 31, 1967)

	Year Ended August 31 1968	1967 (unaudited)	Nine Months Ended August 31, 1967	Year Ended November 30, 1966 1965 1964		
Contributed surplus —						
Capital redemption reserve —						
Balance — beginning of period	\$4,446,541	\$3,743,487	\$4,070,690	\$2,233,431	\$1,215,608	\$ 931,342
Add—portion of proceeds from sale of Class "A" shares	862,334	1,260,666	891,442	2,100,273	1,298,680	400,363
	<u>5,308,875</u>	<u>5,004,153</u>	<u>4,962,132</u>	<u>4,333,704</u>	<u>2,514,288</u>	<u>1,331,705</u>
Deduct:						
Portion of amount paid or credited to shareholders on redemption of Class "A" shares	1,115,200	557,612	515,591	263,014	280,857	115,997
Balance — end of period	<u>\$4,193,675</u>	<u>\$4,446,541</u>	<u>\$4,446,541</u>	<u>\$4,070,690</u>	<u>\$2,233,431</u>	<u>\$1,215,708</u>
Paid-in income —						
Balance — beginning of period	\$ 1,460	\$ 6,476	\$ 11,537	\$ 10,081	\$ 2,003	\$ 4,637
Add—portion of proceeds from sale of Class "A" shares	3,281	11,255	5,514	16,340	14,065	2,690
	<u>4,741</u>	<u>17,731</u>	<u>17,051</u>	<u>26,421</u>	<u>16,068</u>	<u>7,327</u>
Deduct:						
Portion of amount paid or credited to shareholders on redemption of Class "A" shares	3,865	3,547	2,867	2,267	3,017	604
Amount transferred to earned surplus (Note)	1,903	12,724	12,724	12,617	2,970	4,720
	<u>5,768</u>	<u>16,271</u>	<u>15,591</u>	<u>14,884</u>	<u>5,987</u>	<u>5,324</u>
Balance — end of period	<u>\$ (1,027)</u>	<u>\$ 1,460</u>	<u>\$ 1,460</u>	<u>\$ 11,537</u>	<u>\$ 10,081</u>	<u>\$ 2,003</u>
Reserve for reinvestment —						
Balance — beginning of period	\$ 363,171	\$ 314,347	\$ 238,907	\$ 184,513	\$ 93,203	\$ 31,003
Net realized gain on sale of investments	327,207	48,824	124,264	54,394	91,310	62,200
Balance — end of period	<u>\$ 690,378</u>	<u>\$ 363,171</u>	<u>\$ 363,171</u>	<u>\$ 238,907</u>	<u>\$ 184,513</u>	<u>\$ 93,203</u>
Earned surplus —						
Balance — beginning of period	\$ 68,517	\$ 58,788	\$ 78,513	\$ 26,580	\$ 13,316	\$ 6,878
Add — net income for the period	90,026	75,746	56,021	70,248	23,052	11,516
	<u>158,543</u>	<u>134,534</u>	<u>134,534</u>	<u>96,828</u>	<u>36,368</u>	<u>18,394</u>
Deduct:						
Dividends paid	83,812	78,741	78,741	30,932	12,758	9,798
Less: Amount transferred from paid-in income (Note)	1,903	12,724	12,724	12,617	2,970	4,720
	<u>81,909</u>	<u>66,017</u>	<u>66,017</u>	<u>18,315</u>	<u>9,788</u>	<u>5,078</u>
Balance — end of period	<u>\$ 76,634</u>	<u>\$ 68,517</u>	<u>\$ 68,517</u>	<u>\$ 78,513</u>	<u>\$ 26,580</u>	<u>\$ 13,316</u>
Unrealized appreciation in value of investments —						
Balance — beginning of period	\$ 722,212	\$ (102,608)	\$ 151,885	\$ 456,427	\$ 267,037	\$ 77,712
Add — increase (decrease) in unrealized appreciation in value of investments	219,161	824,820	570,327	(304,542)	189,390	189,325
Balance — end of period	<u>\$ 941,373</u>	<u>\$ 722,212</u>	<u>\$ 722,212</u>	<u>\$ 151,885</u>	<u>\$ 456,427</u>	<u>\$ 267,037</u>

Note: The amount transferred from paid-in income to earned surplus is the balance in the paid-in income account on the date the annual dividend is declared.

ANDREAE EQUITY INVESTMENT FUND LIMITED

STATEMENT OF INCOME AND EXPENSES AND NET REALIZED GAIN ON SALE OF INVESTMENTS

FOR THE PERIOD FROM DECEMBER 1, 1963 TO AUGUST 31, 1968
(with comparative unaudited figures for the year ended August 31, 1967)

Income and Expenses:	Year ended August 31		Nine Months Ended August 31, 1967	Year ended November 30,		
	1968	1967 (unaudited)		1966	1965	1964
Income —						
Dividends	\$ 92,117	\$ 79,648	\$ 61,385	\$ 73,758	\$47,146	\$33,592
Interest	112,020	110,825	84,295	79,970	17,685	5,480
	204,137	190,473	145,680	153,728	64,831	39,072
Expenses —						
Audit and accounting	7,700	6,350	5,350	2,500	3,148	1,795
Bank charges and interest	80	1,243	161	2,377	471	45
Investment management fees	29,657	27,276	21,204	21,622	12,109	12,456
Legal fees	8,992	12,060	9,150	6,636	8,790	4,082
Office expenses	8,286	5,986	4,530	4,598	—	—
Salaries and directors' fees	8,807	8,051	8,051	—	—	—
Registration, filing and transfer fees	900	980	980	745	795	522
Stationery and printing	6,620	10,027	9,085	6,138	3,195	1,018
Supplementary letters patent fees	—	—	—	—	—	879
Trust company fees	3,834	7,380	4,682	11,645	8,450	3,828
	74,876	79,353	63,193	56,261	36,958	24,625
Income before provision for income taxes	129,261	111,120	82,487	97,467	27,873	14,447
Foreign withholding taxes	7,935	7,409	3,966	7,554	3,334	2,670
Provision for Canadian income taxes	31,300	27,965	22,500	19,665	1,487	261
	39,235	35,374	26,466	27,219	4,821	2,931
Net income for the period	\$ 90,026	\$ 75,746	\$ 56,021	\$ 70,248	\$23,052	\$11,516
Net realized gain on sale of investments:						
Net realized gain on sale of investments during the period, transferred to reserve for reinvest- ment	\$327,207	\$ 48,824	\$124,264	\$ 54,394	\$91,310	\$62,200
Net investment income per share	\$.054	\$.048	\$.034	\$.056	\$.030	\$.021

ANDREAE EQUITY INVESTMENT FUND LIMITED

STATEMENT OF CHANGES IN NET ASSETS FOR THE PERIOD FROM DECEMBER 1, 1963 TO AUGUST 31, 1968 (with comparative unaudited figures for the year ended August 31, 1967)

	Year Ended August 31		Nine Months Ended August	Year Ended November 30		
	1968	1967 (unaudited)	31, 1967	1966	1965	1964
Net assets — beginning of period	\$ 5,936,026	\$4,807,339	\$4,861,750	\$3,100,344	\$1,710,256	\$1,148,218
Add:						
Proceeds of Class "A" shares issued and subscribed	916,744	1,354,248	952,894	2,255,061	1,403,484	435,080
Net income	90,026	75,746	56,021	70,248	23,052	11,516
Net realized gain on sale of investments (see below)	327,207	48,824	124,264	54,394	91,310	62,200
Increase in unrealized apprecia- tion in value of investments	219,161	824,820	570,327	—	189,390	189,325
	1,553,138	2,303,638	1,703,506	2,379,703	1,707,236	698,121
	7,489,164	6,610,977	6,565,256	5,480,047	3,417,492	1,846,339
Deduct:						
Cost of Class "A" shares redeemed	1,184,882	596,210	550,489	282,823	304,390	126,285
Dividends paid (from investment income)	83,812	78,741	78,741	30,932	12,758	9,798
Decrease in unrealized apprecia- tion in value of investments	—	—	—	304,542	—	—
	1,268,694	674,951	629,230	618,297	317,148	136,083
Net assets — end of period	\$ 6,220,470	\$5,936,026	\$5,936,026	\$4,861,750	\$3,100,344	\$1,710,256
Investments in Marketable Securities						
Cost of securities held — beginning of period	\$5,097,086	\$4,401,716	\$4,632,816	\$2,623,900	\$1,439,397	\$1,061,347
Purchases	5,753,422	3,728,273	2,856,391	4,847,765	2,290,925	1,134,135
	10,850,508	8,129,989	7,489,207	7,471,665	3,730,322	2,195,482
Cost of securities held — end of period	5,110,306	5,097,086	5,097,086	4,632,816	2,630,183	1,439,397
Cost of securities sold	5,740,202	3,032,903	2,392,121	2,838,849	1,100,139	756,085
Proceeds from sales	6,067,409	3,511,727	2,516,385	2,893,243	1,191,449	818,285
Net gain on sale of investments	\$ 327,207	\$ 48,824	\$ 124,264	\$ 54,394	\$ 91,310	\$ 62,200
Note:						
(a) Net asset value per share — beginning of period	\$ 3.55	\$ 3.01	\$ 3.13	\$ 3.28	\$ 2.87	\$ 2.37
(b) Net asset value per share — end of period	\$ 3.89	\$ 3.55	\$ 3.55	\$ 3.13	\$ 3.28	\$ 2.87
(c) Dividends paid per share (from investment income)	\$.05	\$.05	\$.05	\$.03	\$.02	\$.02

ANDREAE EQUITY INVESTMENT FUND LIMITED

STATEMENT OF INVESTMENTS HELD AS AT AUGUST 31, 1968

COMMON STOCKS

Banks and Finance Companies

	Number of Shares	Average Cost	Quoted Market Value August 31, 1968
Bank of Nova Scotia	3,500	\$ 50,418	\$ 70,000
Canadian Imperial Bank of Commerce	4,000	50,778	66,500
Industrial Acceptance Corporation Limited ..	1,000	24,330	26,375
		125,526	162,875

Public Utilities — Electric

Southern California Edison Company	4,000*	168,047	146,933
Wisconsin Public Services	3,000*	65,266	63,546
		233,313	210,479

Public Utilities — Gas

Westcoast Transmission Company	2,000	57,075	57,750
--------------------------------------	-------	--------	--------

Public Utilities — Telephone

Bell Telephone Company of Canada	3,000	146,231	132,375
--	-------	---------	---------

Foods and Beverages

Crown Cork and Seal Co. Inc.	1,000*	70,880	85,130
George Weston, Class "A"	4,500	63,214	87,750
Molson's Breweries Ltd., Class "A"	2,000	32,831	49,000
Procter and Gamble Company	1,000*	86,757	99,340
		253,682	321,220

Leisure and Education

Capital Cities Broadcasting Corporation	2,000*	28,757	156,585
Famous Players Canadian Corp.	1,800	92,384	105,300
Rank Organization Ltd., Class "A"	15,000*	86,822	146,250
		207,963	408,135

Office Systems and Equipment

International Business Machines Corporation	820*	139,302	294,616
---	------	---------	---------

Merchandising

Koffler Stores Limited	2,000	45,192	61,000
Morse Shoe Inc.	1,500*	60,315	55,502
Oshawa Wholesale Ltd., Class "A"	3,000	13,528	120,000
Stop & Shop Inc.	1,000*	33,001	30,834
		152,036	267,336

COMMON STOCKS (continued)

	Number of Shares	Average Cost	Quoted Market Value August 31, 1968
Chemicals and Drugs			
American Home Products Corporation	2,000*	\$104,846	\$124,142
Colgate-Palmolive Co.	1,000*	46,417	47,726
Merck and Company, Inc.	1,000*	60,704	94,916
		211,967	266,784
Automotive			
Ford Motor Company of Canada Limited	400	67,854	98,000
Steel and Heavy Industry			
Dominion Foundries & Steel Limited	2,500	58,169	45,000
Transportation			
Canadian Pacific Railway Company	1,300	49,762	79,950
McLean Industries, Class "A"	2,000*	66,421	69,176
Pennsylvania Railroad Company	1,500*	42,139	105,775
		158,322	254,901
Miscellaneous			
Cooper Tire and Rubber	1,000*	35,263	32,979
Dustbane Enterprises Limited	1,000	18,865	21,000
Facs Ltd.	2,000	10,000	25,000
Power Corporation of Canada Limited	4,500	39,750	48,375
Rockover of Canada Ltd.	2,000	27,590	32,500
Superpack Corp. Ltd.	3,000	47,718	53,250
		179,186	213,104
Oil, Gas and Pipelines			
British American Oil Company Limited	3,500	113,475	161,438
Continental Oil Company	1,000*	68,040	70,383
Home Oil Co., Class "A"	5,000	92,675	118,750
		274,190	350,571
Metals and Mining			
International Nickel Co. of Canada Ltd.	3,000	111,309	123,375
Total common stocks		2,376,125	3,206,521
PREFERRED STOCKS			
American Standard 4.750 Class "A", convertible	600*	67,796	75,772
Canadian Interurban Properties - Units	1,000	28,000	30,500
John Labatt Ltd.	2,000	34,125	47,000
Trans Canada Pipe Lines \$2.75 convertible ..	1,500	84,000	105,750
Total preferred stocks		213,921	259,022
Total stocks		\$2,590,046	\$3,465,543

CONVERTIBLE DEBENTURES

	<u>Par Value</u>	<u>Average Cost</u>	<u>Quoted Market Value August 31, 1968</u>
Allied Stores — 4½% convertible debentures due September 15, 1992	\$ 75,000*	\$ 86,322	\$ 86,068
Bristol-Myers International Finance Company — 4½% guaranteed convertible debentures due December 31, 1980	50,000*	54,675	75,745
Chevron Overseas Finance Co. — 5% convertible debentures due February 1, 1988	75,000*	81,188	87,275
Chrysler Overseas — 5% convertible debentures due February 1, 1988	100,000*	108,875	112,881
Chase Manhattan Bank — 4½% convertible debentures due November 1, 1993	100,000*	105,785	118,913
Genesco World Apparel — 5½% convertible debentures due March 1, 1988	100,000*	109,508	117,707
International Standard Electric — 5% convertible debentures due February 15, 1988	50,000*	54,469	57,915
Kerr McGee — 3¾% convertible debentures due May 1, 1992	100,000*	123,797	115,830
Nabisco International Finance — 5¼% convertible debentures due March 1, 1988	50,000*	54,000	55,234
National City Line — 5½% convertible debentures due June 1, 1988	50,000*	59,847	54,698
Utah Construction — 5% convertible debentures due November 1, 1992	75,000*	95,282	94,916
Warner-Lambert International Capital Corporation — 4¼% convertible guaranteed debenture due March 1, 1981	40,000*	43,075	48,263
Western Airlines — 5¼% convertible debentures due February 1, 1993	50,000*	54,391	59,524
Total Convertible Debentures		<u>1,031,214</u>	<u>1,084,969</u>

SHORT TERM NOTES AND BONDS

Canada Treasury Bills — due November 1, 1968	400,000	396,291	396,292
Great Canadian Oil Sand — 6½% due September 18, 1968	100,000	100,000	100,000
Government of Canada — 5¼% due October 1, 1969	500,000	499,755	499,250
6¼% due December 1, 1973	500,000	493,000	505,625
Total Short Term Notes and Bonds		<u>1,489,046</u>	<u>1,501,167</u>
TOTAL INVESTMENTS		<u>\$5,110,306</u>	<u>\$6,051,679</u>

* denotes foreign security.

23. Purchaser's Statutory Rights of Withdrawal and Rescission. Under Sections 63 and 64 of The Securities Act, 1966 (Ontario), Sections 70 and 71 of The Securities Act (Saskatchewan) 1967 and Sections 63 and 64 of The Securities Act (Alberta) 1967, a purchaser in Ontario, Saskatchewan or Alberta of the shares or units offered by this Prospectus in the course of primary distribution may while still the owner of such shares or units rescind such purchase:

- (i) if the vendor of such shares or units receives written or telegraphic notice evidencing intention of the purchaser (being not a registrant) to rescind not later than midnight on the second day (exclusive of Saturdays, Sundays and and holidays) after receipt by the purchaser of this Prospectus; or
- (ii) if this Prospectus, as of the day of receipt of it by the purchaser, contains an untrue statement of a material fact or omits to state a material fact necessary in order to make any statement contained in it not misleading in the light of the circumstances in which it was made (unless unknown to the vendor, Company or Selling Agent, or known to the purchaser or disclosed in an amendment to this Prospectus duly filed and received by the purchaser), and action to rescind shall have been taken within 90 days of the later of the dates of the receipt of this Prospectus by the purchaser or of the contract of purchase.

24. Purchaser's Statutory Rights of Rescission. A purchaser in British Columbia of any of the securities offered by this Prospectus, while still the owner of any such securities, has the right under the provisions of The Securities Act (of British Columbia),

- (a) if such purchaser is a person (as defined in such Act), to rescind the contract of

purchase, if a copy of the last prospectus filed with the British Columbia Securities Commission relating to the securities was not delivered to him or his agent prior to the delivery to either of them of the written confirmation of the sale of the securities, by serving, within sixty days of the delivery of such written confirmation, on the person who contracted to sell him the securities written notice of his intention to commence an action for rescission of the contract and by instituting the appropriate legal proceedings before the expiration of three months from the date of service of such written notice; and

- (b) if such purchaser is a person (as so defined) or a company to rescind the contract of purchase by institution of legal proceeding within ninety days from the date of receipt of the prospectus or an amended prospectus by the purchaser or his or its agent or the date of the contract of purchase, whichever is later, if such prospectus or amended prospectus, as of the date of receipt, contains an untrue statement of a material fact or omits to state a material fact necessary in order to make any statement contained therein not misleading in the light of the circumstances in which it was made.

A copy of this Prospectus sent by prepaid mail shall be deemed to have been received by the addressee in the ordinary course of mail. Receipt for all the foregoing purposes by an agent or by a person subsequently an agent shall be deemed to be receipt by either the vendor or the purchaser, except in the case of a purchaser's agent who has received or has an agreement to receive compensation from or on behalf of the vendor with respect to the purchase.

There are no material facts not disclosed in the foregoing.

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this Prospectus as required by Part VII of The Securities Act, 1966 and the regulations thereunder.

The foregoing also constitutes full, true and plain disclosure of all material facts relating to the securities offered by this Prospectus as required by Part 7 of The Securities Act (Alberta) 1967 and the regulations thereunder; by Part VIII of The Securities Act (Saskatchewan) 1967 and the regulations thereunder; by Part VII of The Securities Act (British Columbia) 1967 and the regulations thereunder; by Section 13 of The Securities Act (New Brunswick), and by The Securities Act 1954 (Nova Scotia), and there is no further material information applicable other than in the financial statements or reports where required or exigible.

DATED December 30th, 1968.

Chief Financial Officer,
(signed) William Benson

Chief Executive Officer,
(signed) H. C. Andreae

DIRECTORS

(signed) H. C. Andreae

(signed) J. W. Bennett

(signed) G. H. Craig

(signed) H. R. Patterson

(signed) L. M. Savage
by his attorney,
G. H. Craig

To the best of our knowledge, information and belief, the foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this Prospectus as required by Part VII of The Securities Act 1966 and the regulations thereunder.

To the best of our knowledge, information and belief, the foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this Prospectus as required by Part 7 of the Securities Act (Alberta) 1967 and the regulations thereunder; by Part VIII of The Securities Act (Saskatchewan) 1967 and the regulations thereunder; by Part VII of The Securities Act (British Columbia) 1967 and the regulations thereunder; by Section 13 of The Securities Act (New Brunswick), and by The Securities Act 1954 (Nova Scotia), and there is no further material information applicable other than in the financial statements or reports where required or exigible.

MANAGER AND DISTRIBUTOR
International Fund Distributors Limited

Per: (Signed) H. C. ANDREAE

DATED this 30th day of December, 1968.

(signed) G. F. Bain
by his attorney,
J. W. Bennett

(signed) R. P. MacFadden
by his attorney,
H. C. Andreae

SCHEDULE "A"

The Class "A" shares and common shares have attached thereto the preferences, rights, conditions, restrictions, limitations and prohibitions hereinafter set forth:

- (1) Each holder of the said Class "A" shares shall be entitled at any time to require the Company to the extent that the Company has capital redemption reserve available for such purposes and out of such reserve, as hereinafter provided, to redeem all or any part of the Class "A" shares registered in the name of such holder upon the books of the Company at the liquidating value of such shares; each holder of the said Class "A" shares requiring the Company to redeem all or any part of such Class "A" shares shall present the certificate or certificates therefor, duly endorsed or accompanied by a proper instrument of transfer, either at the office of the custodian of the Company's assets or such other office or agency (if any) as may be designated from time to time for the purpose by the Board of Directors of the Company or at the head office of the Company; the method of computing such liquidating value, the time as of which such liquidating value shall be computed, and the time of payment therefor shall be determined as hereinafter provided;
- (2) In the event of the liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, the holders of the Class "A" shares shall be entitled to receive, before any distribution of any part of the assets of the Company among the holders of the common shares, the par value of the Class "A" shares; thereafter the holders of the common shares shall be entitled to receive the par value of the common shares; and thereafter the holders of the Class "A" shares and common shares shall rank equally share for share in any remaining assets of the Company;
- (3) The common shares shall not be subject to redemption but in all other respects the common shares shall rank equally with the said Class "A" shares with the exceptions of
 - (i) the preference in favour of the Class "A" shares in the event of the liquidation, dissolution or winding up of the Company, and
 - (ii) the restriction on the voting rights of the Class "A" shares herein provided;
- (4) The subscription price of shares of the Company shall be the net asset value thereof as at the close of business on the last business day on which the Toronto Stock Exchange is open preceding the day of receipt of a subscription therefor determined and computed in the same manner as the liquidating value is determined and computed pursuant to subclause (b) of clause (5) herein; all moneys received by the Company as the subscription price for its shares over and above the par value of 20 cents for each such share shall be added to and form part of the capital redemption reserve, except that amount equivalent to the per share amount of net earned income as at the time of determining and computing the subscription price therefor as aforesaid, which amount shall be added to and form part of the paid-in income account;
- (5)
 - (a) The liquidating value of each share of the said Class "A" shares presented to the Company for redemption as aforesaid shall be determined as at the close of business on the day of presentation of such share or shares to the Company for redemption, providing that the Toronto Stock Exchange is open and if the Toronto Stock Exchange is not open on such day of presentation it shall be determined as at the close of business on the next business day on which the Toronto Stock Exchange is open following the day of presentation of such share or shares for redemption;
 - (b) The liquidating value of each share of the said Class "A" shares of the Company as of any particular time shall be the quotient obtained by dividing the value as at such time of the net assets of the Company (that is the value of the assets of the Company less its liabilities, exclusive of shareholders' equity represented by paid-up capital and the balances of surplus and income accounts) by the total number of shares of the Company of both classes outstanding at such time, all determined and computed as follows:

A. The assets of the Company shall be deemed to include:

- (a) all cash on hand, on deposit or on call;
- (b) all bills and notes and accounts receivable;
- (c) all shares and subscription rights and other securities owned or contracted for by the Company other than its own shares;
- (d) all stock and cash dividends and cash distribution to be received by the Company and not yet received by it but declared to shareholders of record on a date on or before the date as of which net liquidating value is being determined;
- (e) all interest accrued on any fixed interest bearing securities owned by the Company; and
- (f) all other property of every kind and nature, including prepaid expenses;

The value of such assets to be determined as follows:

- (I) The value of any cash on hand, on deposit or on call, bills and notes and accounts receivable, prepaid expenses, cash dividends and accrued interest declared or accrued as aforesaid and not yet received shall be deemed to be the face amount thereof, unless the Board of Directors shall have determined that any such deposit, call loan, bill, note or account receivable is not worth the face amount thereof, in which event the value thereof shall be deemed to be such value as the Board of Directors shall deem to be the reasonable value thereof;
- (II) The value of any share of stock, bond, subscription, right or other security which shall be dealt in upon a recognized public stock exchange shall be determined by the closing sale price and in the case of securities that did not

trade the average between the closing asked and bid price therefor, on the date on which such value is being determined, all as reported by any report in common use or authorized as official by a recognized public stock exchange;

- (III) The value of any share of stock, bond, subscription, right or other security which shall not be listed or dealt with in or on any exchange shall be determined as nearly as may be in the manner described in the next preceding subparagraph, except that there may be used for the purpose of determining the sale price or the asked and bid prices any published quotations in common use which may be available; and
- (IV) In the case of any security or property for which no price quotations are available as above provided, the value thereof shall be determined from time to time by the Board of Directors in such manner as they shall deem appropriate;

B. The liabilities of the Company shall be deemed to include:

- (a) all bills and notes and accounts payable;
- (b) all administrative expenses payable and/or accrued (including management fees);
- (c) all contractual obligations for the payment of money or property, including the amount of any unpaid dividend declared on the Company's shares and payable to shareholders of record on the date as of which the value of the Company's shares is being determined;
- (d) all allowances authorized or approved by the Board of Directors for taxes or contingencies; and
- (e) all other liabilities of the Company of whatsoever kind and nature except

liabilities represented by outstanding shares and surplus of the Company;

C. For the purpose hereof:

- (i) shares of any class of the Company subscribed for shall be deemed to be outstanding as of the time of acceptance of any subscription and the entry thereof upon the books of the Company and the amount received or receivable by the Company therefor shall be deemed to be an asset of the Company and
- (ii) Class "A" shares presented for redemption by the Company shall be deemed to be outstanding until the close of business on the date as of which the liquidating value thereof is being determined, and thereupon until paid the redemption price thereof shall be deemed to be a liability of the Company;

- (6) Payment of the liquidating value of such Class "A" shares of the Company tendered to it for redemption as aforesaid shall (subject to the provisions of the next succeeding clause) be made by the Company to the extent that the Company will have any reserve available for such purpose as aforesaid, and out of such reserve within five (5) business days after the liquidating date as of which such shares are being redeemed, the actual amount so paid to be debited to the capital account to the extent of the par value of such shares and the remainder of such amount to be debited to the capital redemption reserve and the income accounts of the Company in the proportion which these accounts bear to the number of shares of all classes outstanding at the date of redemption;
- (7) If as of any liquidating date the requests for redemption of Class "A" shares are in excess of the reserve available for such purposes, redemption shall be on a pro rata basis on the shareholdings so tendered for redemption; no shares shall be redeemed if the effect is to render the Company insolvent; every shareholder so tendering shares for redemption shall have redeemed by the Company the same percentage of shares so tendered for redemption as every other shareholder tendering shares for redemption as of such liquidating date;

- (8) The holders of Class "A" shares, as such, shall be entitled only to receive notice of and to attend any annual meeting of shareholders of the Company and any special general meeting of shareholders of the Company called for the purpose of authorizing the dissolution of the Company or the sale of its undertaking or a substantial part thereof but shall not be entitled to any vote at any such meeting, provided that if the Company at any time, or from time to time, shall be in default, as herein defined, in the redemption of any Class "A" share, the holders of Class "A" shares shall be entitled to receive notice of and to attend any meetings of shareholders of the Company and shall be entitled to one (1) vote in respect of each Class "A" share held at any such meeting so long as such default continues; such default shall be deemed to have occurred if the Company

- (a) becomes insolvent, or
- (b) has insufficient reserve available to effect redemption at the time any Class "A" share or shares are tendered to it for redemption, or
- (c) fails to add to the capital redemption reserve and paid-in income account as required herein moneys received by the Company as subscription for its shares;

Notwithstanding anything contained in the by-laws of the Company, the term of office of all persons who may be Directors of the Company at any time when voting rights shall accrue to the Class "A" shares as herein provided, or who may be appointed as Directors after such rights shall have accrued and before a meeting of shareholders shall have been held, shall terminate at the annual meeting of shareholders next following at which Directors are elected or at any special general meeting of shareholders called for the purpose of electing Directors which may be held at any time after the accrual of such rights upon not less than ten (10) days' written notice (excluding both the day of mailing and the day of the meeting) and shall be called by the Secretary of the Company upon the written request of the holders of at least five per cent (5%) of the outstanding Class "A" shares or in default of the calling of such special general meeting by the Secretary within five (5) days after the making of such request, such meeting may be called by

any holder of Class "A" shares;

Notwithstanding anything contained in the by-laws of the Company, upon any termination of the voting rights of the Class "A" shares as herein provided, the term of office of all persons who may then be Directors of the Company or who may be appointed as Directors after such termination and before a meeting of the shareholders shall have been held shall terminate at the annual meeting of the shareholders next following at which Directors are elected or at any special general meeting of shareholders called for the purpose of electing Directors which may be held at any time after such termination of such rights upon not less than ten (10) days' written notice (excluding both the day of mailing and the day of the meeting) and shall be called by the Secretary of the Company upon the written request of the holders of at least five per cent (5%) of the outstanding common shares or in default of the calling of such special general meeting by the Secretary within five (5) days after the making of such request, such meeting may be called by any holder of common shares; and

- (9) The authorization for an application for the issue of Supplementary Letters Patent to delete or vary any preference, right, condition, restriction, limitation or prohibition attaching to the Class "A" shares or to create preference shares ranking in priority to or on a parity with the Class "A" shares, in addition to the authorization by a special resolution, may be given by at least two-thirds ($\frac{2}{3}$) of the votes cast at a meeting of the holders of the Class "A" shares duly called for that purpose; the formalities to be observed with respect to the giving of notice of any such meeting, quorum, the conduct thereof and all other matters shall be those from time to time prescribed in the Letters Patent, Supplementary Letters Patent and by-laws of the Company with respect to meetings of shareholders; at any such meeting, the holders of the Class "A" shares shall be entitled to one (1) vote for each Class "A" share held.

file

ANDREAE EQUITY
INVESTMENT FUND LIMITED

Unaudited Financial Statements

FOR THE SIX MONTH PERIOD ENDED FEBRUARY 29, 1968

ACCOUNTANTS' COMMENTS

The accompanying statements of financial position, surplus accounts and income and expenses have been prepared by us from the books and records of the company and from information given to us. We did not perform an audit of the accounts taken as a whole and accordingly are not in a position to express an opinion on the financial statements.

In accordance with instructions, we did, however, verify the Investments in marketable securities at market value at February 29, 1968.

MacDonald, Currie & Co.
Chartered Accountants.

ANDREAE EQUITY INVESTMENT FUND LIMITED

Statement of Financial Position

UNAUDITED

AS AT FEBRUARY 29, 1968

Assets:

Cash	\$ 303,932
Accounts receivable —	
For security sales	54,714
For shares of the Fund sold	54,933
Interest accrued and dividends receivable	41,829
Investments in marketable securities valued on the basis of market quotations (average cost \$5,293,680)	5,668,791
	<u>6,124,199</u>

Liabilities:

Accounts payable for security purchases	295,960
Other accounts payable and accrued liabilities	23,752
Income taxes payable.	17,899
Dividends payable	83,791
	<u>421,402</u>

Net assets at market value	<u>5,702,797</u>
Net asset value per share	<u>\$3.40</u>

Represented by:

Capital Stock and Surplus:

Capital stock —

Class "A" non-voting shares with a par value of 20 cents each, redeemable at the shareholders' request at the liquidating value thereof to the extent that there is capital redemption reserve available for such purposes —	
Authorized — 5,882,398 shares (total shares authorized less 616,602 shares redeemed to date)	
Issued — 1,661,315 shares (during the six month period 136,365 shares were issued for cash and 138,230 shares were redeemed)	\$ 332,263
Subscribed for but unissued — 16,208 shares	3,242

Common shares with a par value of 20 cents each —

Authorized — 725,000 shares	
Issued — 30 shares	<u>6</u>
	<u>335,511</u>

Surplus, Per Statement Attached:

Contributed surplus —

Capital redemption reserve	4,465,754
Paid-in income	(3)
Reserve for reinvestment (net realized gain on sale of investments).	512,774
Earned surplus.	13,650
Unrealized appreciation in value of investments	375,111
	<u>5,367,286</u>
	<u>\$ 5,702,797</u>

ANDREAE EQUITY INVESTMENT FUND LIMITED

Statement of Surplus Accounts

UNAUDITED

FOR THE SIX MONTHS ENDED FEBRUARY 29, 1968

	Capital Redemption Reserve \$	Paid-in Income \$
Contributed Surplus		
Balance - August 31, 1967	4,446,540	1,460
Add: Portion of proceeds on issue of class "A" shares during period	482,582	1,574
	<u>4,929,122</u>	<u>3,034</u>
Less: Portion of amount paid to shareholders on redemption of class "A" shares during the period	463,368	1,134
Amount transferred to earned surplus	<u>463,368</u>	<u>1,903</u>
	<u>4,465,754</u>	<u>3,037</u>
Balance - February 29, 1968		<u>(3)</u>
Reserve For Reinvestment		
Balance - August 31, 1967		363,171
Net realized gain on sale of investments during the period		149,603
Balance - February 29, 1968		<u>512,774</u>
Earned Surplus		
Balance - August 31, 1967		68,517
Add: Net income for the period		27,021
		<u>95,538</u>
Deduct: Dividends paid		83,791
Less: Amount transferred from paid-in income		<u>1,903</u>
		<u>81,888</u>
Balance - February 29, 1968		<u>13,650</u>
Unrealized Appreciation In Value of Investments		
Balance - August 31, 1967		722,212
Add: Decrease in unrealized appreciation in value of investments		347,101
Balance - February 29, 1968		<u>375,111</u>

Statement of Income and Expenses

UNAUDITED

FOR THE SIX MONTHS ENDED FEBRUARY 29, 1968

	Six Months Ended Feb. 29, 1968 (Note) \$	Six Months Ended May 31, 1967 \$
Income		
Dividends	41,460	38,872
Interest	53,050	61,095
	<u>94,510</u>	<u>99,967</u>
Operating Expenses		
Administration fees	1,500	200
Bank charges and interest	9	160
Investment management fees	15,000	13,804
Office expenses	3,172	3,088
Stationery and office supplies	1,547	1,880
Directors' fees	1,000	150
Salaries	2,760	5,662
Trust company fees	1,481	2,323
Legal, accounting and audit	4,688	-----
Miscellaneous	-----	95
	<u>31,157</u>	<u>27,362</u>
Annual Costs of Compliance with Security Commission Requirements - Prospectus, etc.		
Legal, registration and filing fees	5,095	5,626
Stationery and printing	1,998	3,700
	<u>7,093</u>	<u>9,326</u>
	<u>38,250</u>	<u>36,688</u>
Income Before Provision For Income Taxes	<u>56,260</u>	<u>63,279</u>
Foreign withholding taxes	4,039	1,484
Provision for income taxes	25,200	29,465
	<u>29,239</u>	<u>30,949</u>
Net Income For The Period	<u>27,021</u>	<u>32,330</u>

ANDREAE EQUITY INVESTMENT FUND LIMITED

Statement of Changes in Net Assets

UNAUDITED

FOR THE SIX MONTHS ENDED FEBRUARY 29, 1968

	Six months Ended Feb. 29, 1968 (Note)	Six months Ended May 31, 1967
Net Assets — beginning of period	<u>5,936,026</u>	<u>4,865,415</u>
Add: Proceeds of Class "A" shares subscribed or credited to the following accounts		
Class "A" share capital	29,031	39,668
Contributed surplus		
Capital redemption reserve	482,582	621,888
Paid-in income	1,574	3,268
Net income for the period	27,021	32,330
Net realized gain on sale of investments	149,603	24,902
Increase in unrealized appreciation in value of investments	-----	472,216
	<u>689,811</u>	<u>1,194,272</u>
	<u>6,625,837</u>	<u>6,059,687</u>
Deduct:		
Amount paid or credited to shareholders on redemption of Class "A" shares charged to the following accounts		
Class "A" share capital	27,646	20,642
Contributed Surplus		
Capital redemption reserve	463,368	328,636
Paid-in income	1,134	1,340
Dividends paid	83,791	78,741
Decrease in unrealized appreciation in value of investments	<u>347,101</u>	-----
	<u>923,040</u>	<u>429,359</u>
Net assets — end of period	<u><u>5,702,797</u></u>	<u><u>5,630,328</u></u>

NOTE: Because the Fund changed its fiscal year-end, comparative statements of income and expenses and changes in net assets are not readily available. The comparative figures presented, i.e., for the six months ended May 31, 1967, provide a reasonable comparison because there is no significant seasonal fluctuation in income or expenses.